Vol. 2 No. 11 July 15, 1987

Satellite Times

The News Source for the Home TVRO and Cable Industries $1.50

SBCA Vote Divides Board

WASHINGTON—A sharp rift has developed within the Satellite Broadcasting and Communications Association (SBCA) over the association's recent vote to endorse government mandated access to satellite programming for TVRO owners.

The SBCA vote occured during an "emergency" board meeting on June 24, ostensibly called to discuss the depressed state of the TVRO industry.

SBCA board members said the debate over the mandatory access plank centered on opposition to the move by Showtime/The Movie Channel Inc. and Home Box Office Inc.—

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Echosphere, Tracker Avoid IRD Turn-Offs

By Bob Scherman

Echosphere Corp. and Houston Tracker Systems have averted the deauthorization of owners of their integrated receiver decoders (IRDs) who are entitled to a free year of programming under a joint promotion staged by the two firms and Turner Broadcasting System (TBS) Inc.'s soon-to-be-defunct Discount Satellite Programming (DSP) package.

As reported, when TBS told several programmers of the termination of the package, it also said it was no longer obligated to pay subscription fees owed for some subscribers who had already been authorized for service (See *Satellite Times*, July 1, 1987).

Echosphere President Charlie Ergen said had those services not been paid by early July, "programmers could have turned people off."

Ergen declined to specify whether Tracker or Echosphere made additional pay-

Continued on page 13

United Video May Add WTBS to Package

United Video Inc., which markets four superstations to backyard dish owners, is hopeful of adding superstation WTBS to its Superstar Connection package in the near future.

Jack Riley, the company director, new markets development, said United has offered to endemnify Tempo

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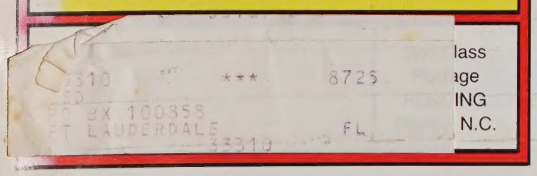
Inside Scan

Superstation Bill: *A bill to clarify the TVRO owners' ability to subscribe to superstations is introduced in the House—***page 4.**

SBCA Code: *On its editorial page, Satellite Times calls for adoption of an SBCA Code to get the dish business moving again—***page 9.**

Letters: *The readers have their say on the state of the dish industry and PBS scrambling—***page 11.**



House Hearing Focuses on State of TVRO Industry

By Bob Scherman

WASHINGTON—The House Telecommunications Subcommittee heard testimony on the Satellite Television Fair Marketing Act (H.R. 1885) July 1, with representatives of the cable and TVRO industry disagreeing on the state of the backyard dish market and whether the bill should be enacted into law.

While the hearing was well attended by members of the subcommittee and the room filled for most of the day, it did not appear the first TVRO hearing of the year was surrounded by the ballyhoo which has seemed to encompass similar sessions of years' past.

For the most part, oral testimony centered on debates between cable and TVRO industry members over the impact of scrambling, and the devopment of the marketplace for programming since the subcommittee last held a hearing on the issue one year ago.

Testifying before the House Telecommunications Subcommittee on July 1 were (L-R) SBCA President Chuck Hewitt, Don Berg of Channel Master Inc., George Kocian, a TVRO distributor from Ohio, Millie Fontenot, a TVRO distributor from Louisiana, and General Instrument Corp.'s Larry Dunham.

Witnesses from the TVRO side included Fred Finn, of Brown and Finn and the Home Satellite Television Association, Millie Fontenot, a TVRO distributor from Louisiana, and George Kocian, a TVRO dealer from

Continued on page 3

GI: New VC Software Hasn't Been Cracked

General Instrument Corp. (GI) maintains that the new software installed in the most recent shipments of the VideoCipher descrambler has not been compromised, despite claims to the contrary by some in the hacker underground.

Larry Dunham, executive vice president of GI's VideoCipher Division, said, "Yes, I'm confident" in the security of the new software.

As reported, earlier versions of the VideoCipher's security software have been compromised by hackers using various chip implant techniques. The previous version of the software, known as D-4, was widely vulnerable to such techniques, with even GI acknowledging the problem.

While there is contradic-

Continued on page 14

Justice Gives Cable Clean Bill of Health

WASHINGTON—The U.S. Department of Justice has announced it has found no evidence that the nation's cable operators violated antitrust laws in pressuring programmers to scramble their satellite signals.

Justice for the first time reported the results of its more than two-year-old investigation into the cable industry's scrambling and programming distribution practices in written testimony to the House Telecommunications Subcommittee July 1.

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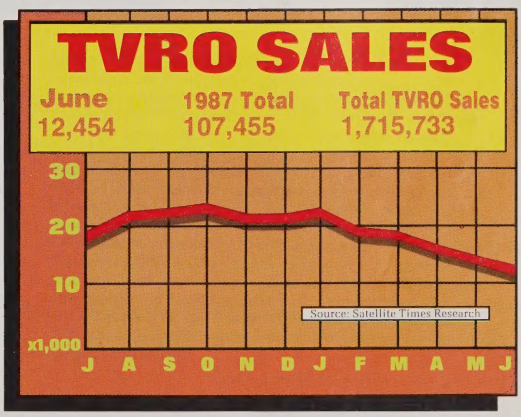

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Quotable

"You're going to have the federal government in there doing for the satellite industry what it did for the cable industry 30 years ago as sure as the sun rises in the east."—Rep. Al Swift (D-Wash.), member of the House Telecommunications Subcommittee.

HERE'S A SMALL PIECE OF HBO'S NEW DESCRAMBLER REBATE PROGRAM.

HBO announces the biggest descrambler rebate available anywhere: $50. And an exciting incentive program for consumers: three free months of HBO® and Cinemax® with a prepaid annual subscription. Satellite retailers can't lose with HBO's new rebate program.

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HBO's big rebate means big profits for satellite retailers. HBO also offers your customers three free months of great HBO and Cinemax programming—blockbuster movies, exclusive comedy and live sporting events, original family and dramatic programming, and lots more. For a limited time, customers who purchase a prepaid annual subscription to both HBO and Cinemax receive twelve months for the price of nine months. Three months free!

HBO and Cinemax can be your best sales tools. Our exclusive rebate and incentive programs help build traffic in your store—and help sell satellite systems.

Watch for more big, new sales-building programs in the future. HBO's commitment to help you build traffic and sell satellite systems continues beyond the descrambler rebate and consumer incentive programs, beyond the point-of-purchase sales tool package. Working through a network of TVRO equipment distributors, HBO plans to implement new promotions and direct mail campaigns, and to offer additional point-of-purchase materials and telemarketing programs.

Get a piece of the Biggest Rebate and Big Consumer Incentives. Big Sales—and Big Profits—are easy with HBO.

For more information on the participating distributors in your area, call the HBO TVRO Hotline: 212-302-6242.

HBO cinemax

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Satellite Times
Washington Office
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Hearing

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Ohio. Chuck Hewitt, of the Satellite Broadcasting Communications Association, also testified.

Finn, Fontenot, and Kocian argued that the home TVRO industry has been severely hurt by the inability of dish owners to subscribe to reasonably priced programming packages and the shortage of General Instrument Corp. (GI) VideoCipher descramblers.

Fontenot had several sharp exchanges with GI's Larry Dunham over the pricing and distribution of the VideoCipher, and at one point the distributor charged her company had received only 68 VideoCiphers over the last several months. Dunham later told *Satellite Times* a check of GI's shipping records indicated that Fontenot's company had received "significantly more" decoders than she claimed.

Dunham defended his company's manufacturing, pricing, and distribution practices against repeated criticism, including that from Rep. Jim Cooper (D-Tenn.), who said GI's hold on the technology amounts to a monopoly.

Cooper argued that GI is "keeping the market all to" itself and said to Dunham, "You make money today if a pirate chip is used [in a VideoCipher] or not." Dunham said GI does "not think it's appropriate to have another manufacturer of standalone decoders" because the company is "the only person in the world with $10 million invested in inventory."

Dunham rejected Cooper's suggestion of making the VideoCipher the government-mandated encryption standard because of the time necessary to proceed through the standardization process. Cooper asked Dunham if he would support the instant adoption of the VideoCipher as a standard, though Dunham deferred an answer to a later date.

Representing the cable industry at the hearing were James P. Mooney, president of the National Cable Television Association, Larry Carlson, of Home Box Office Inc., Ron Lightstone, of Showtime/The Movie Channel Inc., and Marty Lafferty, of Turner Broadcasting System Inc. (TBS).

Overall, the cable witnesses testified the marketplace was working and no legislation was necessary. Mooney turned some heads when he claimed dish sales were rebounding, since there is universal agreement in the TVRO industry that hardware sales are at the lowest point in years.

There was also a lot of attention focused on Lafferty, since TBS' plans to be a TVRO packager have been terminated due to the desires of the cable MSOs, including Tele-Communications Inc., which have bought a large chunk of TBS stock.

Asked about TCI's involvement in the demise of TBS' package, Lafferty said, "I'm not aware of any inappropriate actions or attempts to influence our business decisions at Turner Broadcasting by any of our new board

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NASHVILLE SHOW ISSUES

September

STV Guide® — Reservations By July 16
Material By July 23

Retailer® — Reservations By July 20
Material By July 28

Satellite Times™ (Sept. 9) — Reservations By August 24
Material By August 28

OnSat® (Sept. 13) — Reservations By August 17
Material By August 24

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CBS, Netlink Talking Again

CBS Inc. is considering a change in policy towards serving home TVRO owners in light of the recent agreement between Netlink USA and the National Broadcasting Co. Inc. to serve dish owners who are unable to receive network programming off-air or via cable TV.

Bob Thomson, vice president of government affairs for Tele-Communications Inc. (TCI), which owns 40 percent of Netlink, said, "CBS has expressed new interest in participating with us in this venture." Western Tele-Communications Inc., which is believed to be controlled by TCI, owns 40 percent of Netlink. Rock and Associates, Netlink's founder, owns the remaining 20 percent.

CBS had previously told TCI it was not interested in serving home dish owners via satellite. Thomson added Netlink is "optimistic" about reaching an agreement with Capital Cities/ABC Inc.

In addition, sources said, all three networks have held discussions with Showtime/The Movie Channel Inc. about an arrangement similar to that reached between Netlink and NBC. Such an arrangement, the sources said, would likely involve the use of Showtime's TVRO telemarketing operations and the Denver affiliate stations uplinked by Netlink.

As expected, Netlink and NBC held a press conference in Washington on June 25 to formally announce the details of their agreement (See *Satellite Times*, July 1, 1987).

Under the arrangement, TVRO owners will pay a total of $2 per month to Netlink for network signals they vouch they cannot receive off-air or from a cable system. NBC affiliates will be able to request the names and addresses of TVRO owners closest to their station and request Netlink deauthorize the dish owner if the station believes reception can be obtained off-air or through cable.

At the press conference, Tom Rogers, NBC vice president, policy planning and business development, said the Netlink/NBC agreement "shows that cooperation between parties eliminates any need for a compulsory license."

Rogers said the NBC/Netlink deal does not involve the compulsory license and as much a copyright payment to owners of programming on the Denver station. NBC, Rogers said, hopes the copyright holders of programs on the station not owned by NBC (or NBC's parent company, General Electric Co., which owns the station), will "join with us" in serving dish owners.

Barbara Dixon, spokeswoman for the Motion Picture Association of America (MPAA), said the association had no comment on the NBC/Netlink deal. However, another senior MPAA executive said while "the economic impact" of the NBC/Netlink deal is minor "there are im-

Continued on next page

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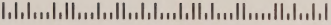

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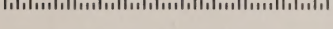

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1a) Primary business: 1) home satellite systems 2) commercial satellite systems 3) home video equipment sales 4) commercial video sales 5) independent cable TV system 6) MSO systems 7) DBS, LPTV, MDS, SMATV, STV operations 8) cable TV programming 9) cable system products

2) Annual sales volume: a) under $100,000 b) $100,000 to $499,999 c) $500,000 to $999,999 d) $1,000,000 to $4,999,999 e) $5,000,000 or more

3) Purchasing authority: 1) purchase 2) specify 3) approve 4) recommend **4) Inquiry for:** a) immediate purchase b) future information

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2	17	32	47	62	77	92	107	122	137	152	167	182	197	212	227	242	257	272	287	302	317	332	348	363
3	18	33	48	63	78	93	108	123	138	153	168	183	198	213	228	243	258	273	288	303	318	333	349	364
4	19	34	49	64	79	94	109	124	139	154	169	184	199	214	229	244	259	274	289	304	319	334	350	365
5	20	35	50	65	80	95	110	125	140	155	170	185	200	215	230	245	260	275	290	305	320	335	351	366
6	21	36	51	66	81	96	111	126	141	156	171	186	201	216	231	246	261	276	291	306	321	336	352	367
7	22	37	52	67	82	97	112	127	142	157	172	187	202	217	232	247	262	277	292	307	322	338	353	368
8	23	38	53	68	83	98	113	128	143	158	173	188	203	218	233	248	263	278	293	308	323	339	354	369
9	24	39	54	69	84	99	114	129	144	159	174	189	204	219	234	249	264	279	294	309	324	340	355	370
10	25	40	55	70	85	100	115	130	145	160	175	190	205	220	235	250	265	280	295	310	325	341	356	371
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15	30	45	60	75	90	105	120	135	150	165	180	195	210	225	240	255	270	285	300	315	330	346	361	376

Satellite Times

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14	29	44	59	74	89	104	119	134	149	164	179	194	209	224	239	254	269	284	299	314	329	345	360	375
15	30	45	60	75	90	105	120	135	150	165	180	195	210	225	240	255	270	285	300	315	330	346	361	376

Superstation Bill Introduced

WASHINGTON—As expected, a bill to clarify the rights of TVRO owners to subscribe to superstations was introduced in the House of Representatives on June 30.

H.R. 2848 was introduced by Reps. Robert Kastenmeier (D-Wis.), Carlos Moorhead (R-Calif.), Mike Synar (D-Okla.), Rick Boucher (D-Va.), Robert Garcia (D-N.Y.), and William J. Hughes (D.-N.J.). Kastenmeier is chairman of the subcommittee with jurisdiction over copyright matters, Moorhead is the ranking minority member.

The bill is similar to the measure introduced last year and would allow superstation uplinkers or their agents to collect copyright fees of $12 per month per signal from dish owners and pass the money onto copyright owners.

In essence, the bill extends cable's compulsory licence to the home TVRO market, but calls it an "interim statutory license."

As written, the measure covers all superstations on the air prior to June 1, 1987, or all those which are received by not less than 10 percent of all cable subscribers.

The bill covers both network and independent stations. But, Kastenmeier, who moderated the recent NBC/Netlink press conference, said the agreement between the two to serve dish owners "could" change the bill inclusion of network signals.

"I consider that a negotiating item. Last year we did have it, this year we put it in the first draft," he said of network superstations. (It should be noted that the version of the bill passed by the House Judiciary Committee last year was amended to cover only independent stations.) ❑

Netlink

Continued from previous page

portant principles involved here."

The Satellite Broadcast Networks Inc. (SBN), the network station uplinker which has been sued by all three networks, criticized the NBC/Netlink deal because it would, in some cases, force dish owners to buy cable services.

Similar, though less strident comments about the deal, were issued by the Satellite Broadcasting and Communications Association.

Reacting to the criticism that dish owners who could buy cable service could not buy the Netlink signal, Thomson said, "I do not think the deal could have been put together without this restriction." Thomson added a "small percentage of the [TVRO] universe falls into that category that everyone is concerned about."

Rogers said the NBC/Netlink deal would not change NBC's desire to stop SBN's activities through court action.

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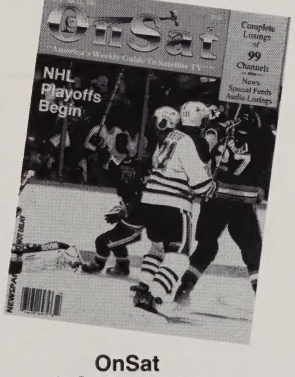

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S.A. Claims B-MAC is Secure

By Bill Barr

TORONTO—An increasing number of people believe the security of the Scientific Atlanta (S.A.) Inc.'s B-MAC decoder system cannot be broken with the same methods used to circumvent General Instrument Corp.'s VideoCipher system.

Speaking at the third annual Satellite Symposium here June 22-24, Bob Yoneda, supervisor, encryption products engineering for Digital Video Systems (DVS)—an S.A. subsidiary—said S.A. and DVS held a top-level engineering meeting in Atlanta following a series of so-called "Descrambling Summits" held on an island in the British West Indies (See *Satellite Times*, Jan. 28, 1986).

During the meeting, Yoneda said, company engineers agreed the B-MAC system was more secure than VideoCipher. "We left that meeting convinced the B-MAC was not vulnerable like the VideoCipher," said Yoneda.

B-MAC was deisgned to adapt to the NTSC broadcast system used in Canada and the United States. Other MAC systems, like C-MAC and D/2-MAC, were designed to adapt to television signal formats used on the PAL and SECAM systems. The S.A. system is also widely used in Australia.

In the U.S., B-MAC is becoming increasingly popular for securing business communications such as teleconferencing, and is used on Comsat Corp.'s in-room movie system (formerly known as Hi-Net), which is distributed via the Ku-band SBS-3.

The B-MAC system recently received further publicity when it was used by Prostar Inc. to scramble the signal for the Ray Leonard/Marvin Hagler fight in Las Vegas (*Satellite Times*, April 22, 1987).

Yoneda said DVS will continue to develop commercial customers and will avoid the volatile consumer decoder market serviced by the GI VideoCipher and Oak Industries Inc.'s Orion descrambling systems.

Defending the security of the VideoCipher system at the symposium was Doug Lindquist, assistant vice president of marketing for GI's VideoCipher Division. He argued the days of placing unauthorized chips in VideoCiphers and stealing programming were over.

"We made a mistake in one lousy line of code when we wrote the program for the U-7 microprocessor in the VideoCipher," said Lindquist. "This hole has now been patched and we don't expect any further problems."

Bob de la Durante, Canadian Satellite Communications (Cancom) Inc.'s vice president and general manager, direct-to-home services, said reports Cancom is switching from the Oak de-

Continued on next page

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Symposium

Continued from previous page

coder to the VideoCipher were "irresponsible." He added Cancom was "committed to the Orion [scrambling system] for a very long time."

However, sources close to Cancom and GI have said the Cancom switch was in the offing, but Cancom backed out after reports the VideoCipher's security had been broken by hackers (See *Satellite Times*, Sept. 17, 1986). A Cancom source, speaking only on the condition he not be identified, said, "Why pay $12 million to switch [descrambling systems] when the VideoCipher doesn't give us any more security, and program packaging on the VC II is falling apart. There's no advantage in switching."

In other news from the show, Gary Carter, Cancom's chief engineer, has apparently been fired. Carter, nor Cancom executives, would comment on the departure. At press time, Carter had apparently found another job working on Cancom turn-key cable systems for a cable company.

Gord Haines, vice president and general manager of First Choice, said his company was on schedule to test the VideoCipher decoders that are now installed in cable headends.

"The testing will begin by mid-July, and depending on the success of the test, [addressable] scrambling could begin in mid-September," said Haines.

First Choice will offer its signal to TVRO owners for $12.95 per month (Canadian), and is also interested in developing a market strategy to service SMATV systems.

Haines emphasized that his company is a different corporation from SuperChannel, based in Edmonton. "First Choice serves a market from Newfoundland west to the Manitoba border, and SuperChannel covers an area from Manitoba west to British Columbia," he said.

Many believe Haines was trying to distance his company from SuperChannel, which has not announced any scrambling plans, and the company's outspoken Vice President and General Manager Luther Haave. Haave has been a long-time opponent of the VideoCipher coming to Canada, which has annoyed many satellite dealers. ❑

Satellite Times

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HBO

Home Box Office Inc. has named **Horace Collins** senior vice president and chief counsel, film programming and **George Cooke** vice president and senior counsel, film finance.

In his new position, Collins will oversee all legal aspects of HBO's feature film finance, licensing, programming, and distribution; West Coast programming operations; and the financing and production of HBO Pictures and other original programming.

Collins previously served as vice president and chief counsel, film programming for the network. Prior to joining HBO, Collins served as an associate in the law firm of Cahill, Gordon & Reindel in New York.

In his new position, Cooke will be responsible for overseeing the negotiation and drafting of agreements for the financing, licensing, and distribution of motion pictures which appear on HBO's services, as well as corporate and securities matters.

Cooke previously served as HBO's senior counsel, film finance. Prior to joining HBO, Cooke was an associate at the Boston law firm of Ropes & Gray. ❑

MultiComm

MultiComm Telecommunications Corp. has named **Herbert C. Granger** vice president, sales and marketing.

In his new position, Granger will be responsible for all sales and marketing efforts for the company. Prior to joining MultiComm, Granger was a vice president of business development and a founding member of Telecom General Corporation.

MultiComm Telecommunications Corp. is a telecommunications company and a wholly-owned subsidiary of Amway Corporation. ❑

Comsat

William K. Coulter has been named vice president of a newly-created office of government affairs within the World Systems Division of Comsat Corporation.

In his new position, Coulter will be responsible for centralizing and directing the company's government affairs efforts and all associated planning activities.

Coulter has previously served as general counsel for Comsat International Communications Inc.

Prior to joining Comsat, Coulter was a member of the law firm of Richards, Layton and Finger in Delaware. ❑

MTV

Paul La Rocca has been named director, marketing and promotional development for MTV Networks.

In his new position, La Rocca will be responsible for the development of revenue-based marketing and promotional opportunities with third-party sponsors. ❑

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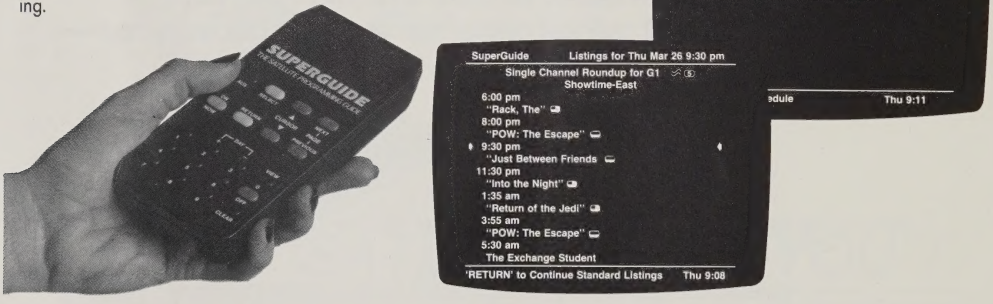

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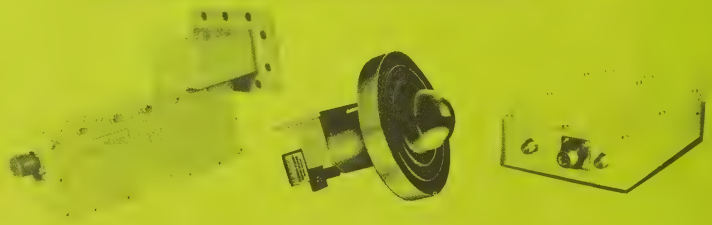

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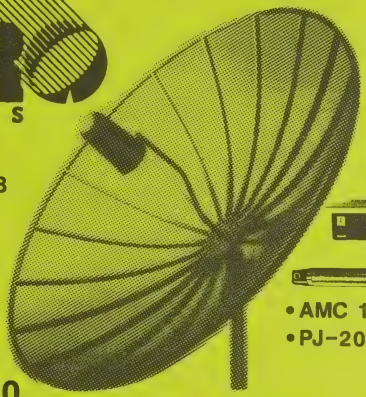

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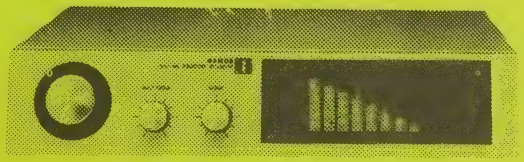

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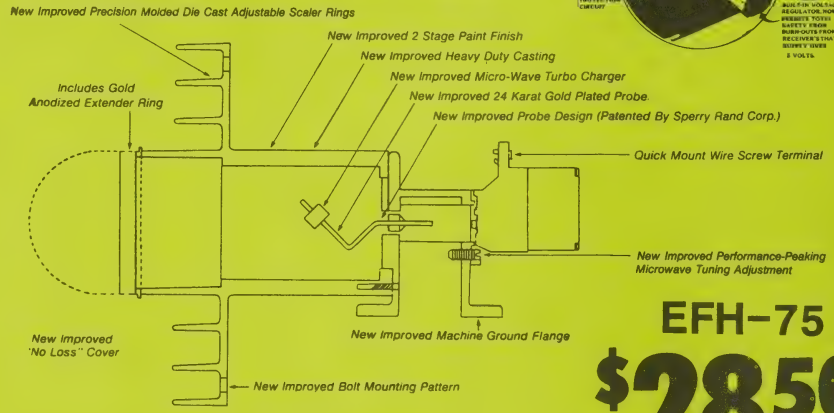
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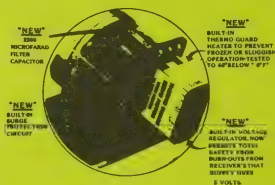
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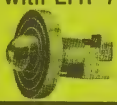

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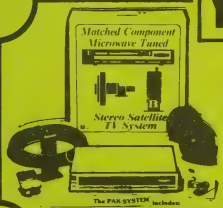

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EDITORIAL · Time To Draft and Adopt an SBCA Code of Conduct

Who will make it to Nashville, for the SBCA/STTI Show on Labor Day weekend? That's the question being asked throughout the TVRO industry these days, as dish sales continue to plummet, more and more companies leave the industry, and the long, hot summer has begun.

The events of recent days in Washington—the House TVRO hearing and the Justice Department's issuance of a clean bill of health for cable, once again illustrate why the satellite industry should not look to the shores of the Potomac for relief.

Rather, the direct broadcast satellite industry must arrive in Nashville six weeks from now with a bold and concrete course of action at hand to resuscitate the direct-to-home market. The industry, led by the Satellite Broadcasting and Communications Association (SBCA), must take matters into its own hands and focus on the short term problems which threaten the very existence of the satellite broadcasting industry, rather than on philosophical issues.

First and foremost, the SBCA should ask for the resignation of, or remove, Turner Broadcasting System Inc.'s Martin Lafferty as its second vice chairman. While this publication has great empathy for the situation Marty Lafferty finds himself in, it is simply not appropriate for a representative of the nation's largest MSOs to be in line for the chairmanship of the satellite television industry's principal trade association.

The SBCA Code

It is also time for the SBCA to draft and implement a "Code of Conduct" for programmers and hardware manufacturers who wish to serve the satellite viewer. And since the most crucial issue facing the development of the U.S. DBS industry centers on General Instrument (GI) Corp.'s VideoCipher II scrambling system, the basic tenets of the "SBCA Code" should settle many of the questions about the VideoCipher system.

Thus, a key element in the SBCA Code should be a public pronouncement by all cable programmers that they will either scramble their satellite signals over the next five years using the VideoCipher II system or not scramble at all.

If the programmers do not have enough faith in the VideoCipher system to make this commitment, then how can consumers be expected to shell out $400 for a decoder? A five year commitment to the VideoCipher will not stifle the development of any new potential encryption technology—it could take at least that long to develop a new system, but such a commitment would go a long way in easing consumer concerns.

Those who call for a government imposed encryption standard fail to recognize that such regulation would leave the fate of the satellite industry in the hands of the Congress and/or the Federal Communications Commission. Congress is a slow moving and unpredictable political body, and does not hold any solutions for the satellite industry. And though it is unclear whether this FCC is simply blinded by ideology, incompetent, or simply dishonest (or a combination of all three), one thing is eminently clear: No sane businessmen should want their fate in any way determined by an FCC which continues to defend a preposterous study of the TVRO marketplace, as well as the absurd position that the reimpostion of syndicated exclusivity rules would not "necessarily" impact superstations.

Scrambling Timetable

A second VideoCipher section of the Code should be the adoption of a industry wide scrambling timetable for all those services which have yet to encrypt. Those services which are about to scramble, notably ESPN, the Disney Channel, USA Network, and CBN Cable, should complete the move by September or October. After that, all other programmers with intentions to scramble should agree upon on a simultaneous timetable so consumers can be given a specific date on which all other programmer who wish to encrypt will do so.

A well-planned, industry wide, course of action will not only help end consumer confusion, but assist programmers in negating many of the technical difficulties associated with the implementation of scrambling.

At the same time, the adoption of a scrambling timetable will allow programmers to provide consumers with a definitive answer on which services will be scrambled, when, and how much it will cost to subscribe to specific channels and packages. Those answers should be provided to dish owners in a industry sponsored uplink at least a month before the rest of the services throw the scrambling switch.

If the programmers cannot make these commitments to scrambling and the VideoCipher system, then they must have the foresight and conviction to back away now. To be sure, many still have serious concerns over VideoCipher availability, distribution, and piracy issues. But there are some 500,000 commercial and consumer descramblers in the marketplace right now, and if GI cannot satisfy the concerns of programmers and TVRO companies, waiting to act until there are millions of boxes in the field is sheer madness.

Another element of the SBCA Code should be a commitment by cable programmers to provide TVRO access to all C and Ku-band programming during the initial five year life of the Code. Though the issue of cable exclusive programing is important to many in cable, the production of any significant amount of such programming is still several years away. Similarly, the cable industry itself is still divided over the use of the Ku-band to distribute programming and faces several more years of debate before a resolution of the issue.

In the meantime, the cable industry will not be sacrificing anything by assuring TVRO access to programming. The entire access issue can be revisited in five years, when many DBS questions are more fully answered and the satellite industry is strong enough to compete in the debate with its cable counterpart.

Another part the SBCA Code should cover the growing VideoCipher piracy problem. Through the Code, the leaders of the satellite, programing, and cable industries should unite to develop a national, grass roots orientated, campaign to thwart piracy. Indeed, a good way for the cable and satellite industries to improve their relationship is a joint effort on piracy—along with opposition to the potential reimposition of syndicated exclusivity.

Finally, the adoption of the SBCA Code should be the impetus for a nationwide publicity campaign on TVRO matters. While the satellite industry cannot afford a full blown campaign right now, it can produce a series of public service announement-type commercials to inform consumers about the Code and what it means. Cable programmers should offer to run these commercials as a public service on their unscrambled channels and on the so-called barker audio channels of scrambled signals. Though local cable operators should be willing to let the spots air as a public service, they would, of course, be able to pre-empt them.

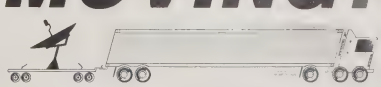
Clearly, there are legal questions involved with the adoption of any industry wide code of conduct. But it should be noted the old National Association of Broadcasters Code was found to violate antitrust laws largely because of content regulation concerns, not basic technical and service matters. Moreover, it is difficult to imagine how a Justice Department which has ruled cable did not act improperly with respect to its scrambling and distribution policies, and also approved the MSO bail-out of Turner Broadcasting, could find objections to the SBCA Code.

The upcoming Nashville show could mark a new beginning for the satellite television industry if its leaders have the courage to adopt a code which can be used to assure consumers of the industry's commitment to the VideoCipher, to providing access to programming at reasonable prices, and to ending piracy. In fact, the overall public relations focus of the Nashville show should be the adoption of the Code and its benefits to consumers.

These are difficult issues which obviously will not disappear forever with the adoption of the SBCA Code. But the time has come to begin to put these matters to rest, and public commitments to do so-voluntarily agreed upon, will go a long way toward the end.

In calling for the drafting and adoption of the SBCA Code, this publication asks the leaders of the satellite television industry a question raised in years past by Ronald Reagan: If not now, then when? If not you, gentlemen, then who? ❑

MOVING?



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A Specialty Buffet of Investing Principles

By Blaine Roberts

Before introducing a private company that claims to be the largest specialty satellite television network in the United States, let's talk about some old financial rules of thumb.

These old lessons are established commandments of value investing in the stock market as formulated by Warren Buffet. Buffet was born into the business as the son of an Omaha, Neb. stockbroker. After receiving an MBA degree from Columbia University, he understudied for Benjamin Grahm, the co-author of what is commonly referred to as the bible of fundamental investors: "The Intelligent Investor."

Buffet founded his own investment partnership in 1956 and disbanded the business in 1969. The compounded annual return for the business during those years was 30 percent. Actually, Buffet didn't close down entirely; he offered his partners in the business the option of rolling their shares into a public company controlled by Buffet-Berkshire-Hathaway.

Obviously, investors couldn't lose their shirts on a deal like that. An investment of $10,000 in the original 1956 partnership then subsequently rolled over into Berkshire-Hathaway, was worth around $5 million at last count. This is what makes legends on Wall Street.

And what mortal lessons can we gleam from the royalty of value investing? Buffet's idea of a good business is one that has a real franchise and is not commodity based. Buffet outlined a number of basic tenants he looks for in businesses.

First, Buffet looks for a high return on invested capital. He likes to see profits in cash as opposed to accounting profits. He also recommends firms with rapid turnover of inventory, a high rate of return on plant and inventories, and predictable earnings.

Buffet also likes a strong business franchise in which costs can be passed on. Interestingly enough, Buffet favors businesses that function similar to a toll bridge or royalty company: television stations, newspapers, and advertising agencies. He also says an attractive business is one which has a definable business character as opposed to a conglomerate.

And finally, he looks for businesses with a relatively uncomplex management problem.

Conversely, Buffet delineated the factors to watch out for in companies. He warned against choosing businesses that make money in accounting rather than realizing cash profits—requiring more and more investment as sales increase.

He also deplored firms with dishonest and greedy managers, a heavy debt, slow turnover, and those businesses involved in retailing (with few exceptions).

Now that we've refreshed our memories about value investing in the stock market, let's examine what could be the largest specialty satellite television network in the nation.

Automotive Satellite Television Network is only one year old and claims to be the nation's largest specialty satellite television network.

The company produces and broadcasts training news and informational programming to nearly 2,000 automobile dealers. The network's two hours of daily programming include shows dealing with education and training for sales, service and parts departments, current auto industry news and special events.

In addition the network features general management tips, and personal financial planning ideas for dealer principals and other managers of auto dealerships.

The company has wisely attempted to tie the big auto manufacturers to its network by offering each an access channel so they can broadcast directly to their dealers. Since the company is private, its stock cannot be bought—at least for now.

And in the future, watch for many new entrants into narrowcasting, where the first to reach the special market has a good shot at creating a monopoly.❑

Blaine Roberts is president of the investment firm of Morgan Roberts and Co., of La Jolla, Calif. The opinions in this column are not necessarily those of Satellite Times *or Triple D Publishing.*

SATELLITE TIMES 100

New York Stock Exchange

Symbol	Company	High	Low	Close	Chg.
ANX	Anixter Bros. Inc.	13¾	13¾	N/A	N/A
AVT	Avnet	38¼	25¼	32½	+ 1
CCB	Capital Cities (ABC)	394	240	382½	−2½
CBS	CBS Inc.	177	121½	175⅝	+10⅝
CNT	Centel Corp.	68⅛	54⅜	66⅝	+1¾
KO	Coca Cola	49	32⅞	43⅞	−1¼
CQ	Comm. Satellite	36⅜	23⅜	28½	+1¾
CCN	Chris-Craft Ind.	29½	17⅝	27	+1¼
CTC	Continental Telecom	35⅜	27¼	32⅜	—
DEC	Digital Equipment Corp.	174½	81¾	164⅝	−3
DIS	Walt Disney Productions	73¼	35	71¼	+1¾
DJ	Dow Jones & Co. Inc.	56¼	30½	50¾	+ ¾
DNB	Dun & Bradstreet Co.	68⅛	48	62⅝	−3½
EK	Eastman Kodak Co.	89¼	52⅛	85⅝	−2
GCI	Gannett Co. Inc.	55½	32⅞	50⅜	−3¼
GE	General Electric	56⅜	35¼	54	+ ½
GRL	Gen. Instrument Corp.	39⅞	15⅞	38⅝	−¼
GTE	GTE Corp.	42½	33½	38½	—
GW	Guif & Western Ind.	90	59¼	84¼	−4¼
HRS	Harris Corp.	42¾	27⅛	36¾	−¾
HCI	Heritage Comm.	34	19	33⅛	−⅜
KRI	Knight Ridder Inc.	58	43¼	52⅞	−4¼
MAI	M/A-Com Inc.	17⅜	11⅝	13¾	—
MCA	MCA Inc.	52⅞	37⅞	48	+ ½
MOT	Motorola Inc.	63⅞	33⅜	53½	−3
NPH	N. Amer. Phillips Corp.	45¾	35⅛	42¾	−1½
OAK	Oak Industries	2	¾	1⅝	−⅛
PIO	Pioneer Electronic Corp.	37¼	37	N/A	N/A
PLA	Playboy Enterprises	14¾	5⅞	13½	−⅞
ROL	Rollins Communications	19⅝	14⅝	18¼	+½
SFA	Scientific-Atlanta	19⅞	8½	19½	+1⅜
SNE	Sony Corp.	29⅝	18⅛	28½	2⅜
TFB	Taft Broadcasting	158¾	107	152	+½
TAN	Tandy Corp.	55⅝	30½	42¾	−1¾
TEK	Tektronix Inc.	43¼	27¼	38⅝	+¼
TL	Time Inc.	101⅜	66⅝	96¼	−3¼
TMC	Times Mirror Co.	98½	56⅞	91⅜	−4½
TRB	Tribune Co.	44⅝	28⅜	40⅞	−2⅞
UCT	United Cable TV	35½	23½	33⅛	−1¾
VIA	Viacom Intl.	54⅝	25¼	N/A	N/A
WCI	Warner Communications	36⅜	18¾	33⅞	− ⅜
WU	Western Union	6⅛	3¼	4	− ¼
WX	Westinghouse Electric	68⅜	48½	62	−2⅞
ZE	Zenith	29¾	18⅞	25¾	−2⅜

American Exchange

Symbol	Company	High	Low	Close	Chg.
AAR	Adams-Russell Inc.	37⅝	18⅜	37¼	+3¼
ACN	Amer. Cablesys. Inc.	24⅝	12½	23⅝	+ ⅝
CVC	Cablevision Sys. Inc.	28¾	17	27⅝	+ ½
CEC	Cetec Corp.	7⅜	4⅝	6¼	− ¼
HSN	Home Shopping Netwrk	47	11⅜	18½	−2
LT	Lorimar-Telepictures	31½	13½	15⅜	−1⅝
MEGA	Media General Inc.	40⅜	20⅝	39¾	+⅞
NYTA	New York Times Co.	49⅝	32⅛	47	−1¾
PPI	Pico Products Inc.	7	1⅝	5⅛	+ ⅜
RMS	RMS Electronics	4¼	1	2⅛	—
TBS	Turner Broadcasting Sys.	24½	12½	22½	−1⅞
TDS	Telephone & Data Sys.	29¼	17¼	27¾	+1⅝
UNV	United Video	14¾	9½	N/A	N/A
WPOB	Washington Post	222	128	213	+4

NASDAQ

Symbol	Company	High	Low	Close	Chg.
AMTV	AM Cable TV Ind.	N/A	N/A	N/A	N/A
ACMAT	Amer. TV & Comm.	29½	10¼	27¼	+¾
AVAK	Avantek	19¼	12⅞	15¾	—
BFTV	Birdfinder	5	1½	N/A	N/A
BTSSU	Brooks Sat. Uts.	5	⅝	N/A	N/A
BVSC	Birdview Satellite	2⅜	⅜	N/A	N/A
CAMP	Calif. Amplifier	3	½	2⅛	− ⅛
CATV	Cable TV Ind.	3	1⅝	2⅝	− ⅜
CCBL	C-Cor Electronics	12	5¼	9¼	—
CGRD	Cableguard	1⅜	⅝	N/A	N/A
CNMW	Cincinnati Microwave Inc.	10¾	6¼	6½	—
CMCO	C.O.M.B. Co.	35¾	16½	20	−1⅝
CMCSA	Comcast Corp.	25¼	15⅝	23⅜	− 1
CSII	Commun. Sys.	9⅛	4⅝	6⅞	− ⅜
CVGI	Congress Video	7⅝	2	N/A	N/A
CVSI	Compact Video	5⅛	3¾	N/A	N/A
DYNA	Dynascan	12⅜	6	12¼	−4⅝
EQUA	Equatorial Comm.	7⅝	2⅜	3⅛	− ⅛
FNNI	Financial News Net	20½	7⅝	11	−⅜
HYTK	Hytek International Corp.	6½	2¼	N/A	N/A
JOIN	Jones Intercable	16½	9⅛	13⅞	+ ½
JTWO	J-2 Corporation	4¼	2½	N/A	N/A
KING	King World Prdctns	N/A	N/A	N/A	N/A
KREN	King's Road Entrmmt	7	1⅞	2½	—
MALR	Malrite Comm.	15¼	8¾	11¼	+¼
MCDY	Microdyne Corp.	5⅛	3⅜	4¼	+ ⅜
MFCO	Microwave Filter	3⅛	1½	N/A	N/A
NINV	Norsat Int'l	⅜	1⅝	N/A	N/A
ORPCW	Orion Pic. Wts.	6⅝	4	6⅝	—
QVCN	QVC Network	26	7¼	10¼	−¼
RCOT	Recoton Corp.	13	5⅛	6	—
RCCAA	Rogers Cablesys. A	16	9⅞	15¼	+ ⅛
RGCY	Regency Elec.	8⅛	4⅝	6½	+ ⅝
SCC	Scott Cable	26½	9¼	25½	− ⅛
SCRP	Scripps Howard Bdcst	89¾	75	83	+3
SLNK	Satellink	9⁄32	3⁄16	N/A	N/A
SMNI	Satellite Music	13⅞	3⅝	5½	+1⅛
SPDY	Spectradyne	44⅝	14½	44⅝	—
TCAT	TCA Cable TV	26¾	15½	26¾	+2½
TCOMA	Tele-Communctns	39⅛	21⅜	36¾	+1½
TLCR	Telecrafter	7½	2½	6	− ¼
TLMTB	Telemation	N/A	N/A	N/A	N/A
UACIA	United Artist Comm	28⅛	15¼	28⅛	+1⅛
USECW	Univ. Sec Instr. Wts.	1½	⅝	N/A	N/A
USEC	Univ. Sec Inst.	8⅛	3⅜	4⅛	+ ⅜
USECU	Univ. Sec. Instr. Uts.	11¾	7¾	N/A	N/A
WVTK	Wavetek	9⅜	6⅝	9⅛	—
WWTV	Western-World TV	2⅝	1⅛	N/A	N/A

Times Calendar

July

15 SBCA Earth Segment Group Meeting, Ramada Inn
Alexandria, VA
Contact: Jean O'Donnell
(703) 549-6990

15 Arizona Cable Television Association, Public Relations Seminar, Gateway Park Hotel
Phoenix, Ariz.
(602) 257-9338

16-18 National Federation of Local Cable Programmers National Convention Chicago Hilton
Chicago, Ill.
Contact: Sue Miller Buske
(202) 544-7272

16-18 Montana Cable Television Association Annual Meeting, Colonial Inn
Helena, Mont.
Contact: Tom Glendenning
(406) 586-1837

20-22 New England Cable Television Association Annual Convention, Tera Hyannis Hotel
Hyannis, Mass.
Contact: Bill Durand
(617) 843-3418

21-23 Florida Cable Television Association Annual Convention, Bonaventure Health and Spa Resort
Fort Lauderdale, Fla.
Contact: Bob Brillante
(904) 681-1990

24 National Satellite Communications Dealer Seminar Corporate Headquarters
Clifton Park, N.Y.
Contact: Ronald E. Bruce
(800) 833-4485

28 SBCA Public Affairs Working Group
San Diego, Calif.
Contact: Christine Gliozzo
(703) 549-6990

August

11-12 Oklahoma Cable Television Association Annual Meeting, Oklahoma City Marriott
Oklahoma City, Okla.
Contact: Steve Lowe
(405) 943-2017

16-19 Cable Television Administration and Marketing Society Annual Meeting, Fairmont Hotel
San Francisco, Ca.
(202) 371-0800

Aug. 30-Sept. 1 Southern Cable TV Association's Eastern Cable Show Merchandise Mart
Atlanta, Ga.
Contact: Lorraine Whitmore
(804) 782-9501

September

2-4 Missouri Cable Television Association Annual Meeting Lodge of the Four Seasons
Lake Ozaark, Mo.
Contact: Charlie Broomfield
(816) 453-3392

7-9 SBCA/STTI Show Opryland Hotel
Nashville, Tenn.
Contact: Rick Schneringer
(800) 654-9276

15-16 Nebraska Cable Communications Association Fall Meeting
Omaha, Neb.
Contact: Dick Bates
(402) 467-2356

21-23 Great Lakes Cable Expo, Indiana Convention Center
Indianapolis, Ind.
Contact: Daniel R. Helmick
(614) 461-4014

27-29 Kentucky Cable Television Association Annual Convention, Radisson Hotel
Lexington, KY
Contact: Patsy Judd
(502) 864-5352

27-29 Microwave Communications, Association Annual Convention, Ramada Renaissance Hotel
Washington, D. C.
Contact: Elena Selin
(301) 464-8408

October

6-8 Atlantic Cable Show Convention Center
Atlantic City, N.J.
Contact: Jean O'Donnell
(609) 848-1000

1987 Major Shows

July

16-18 National Federation of Local Cable Programmers National Convention, Chicago, Ill. Contact: Sue Miller Buske (202) 544-7272

August

16-19 Cable Television Administration and Marketing Society Annual Meeting, Fairmont Hotel, San Francisco, Contact: (202) 371-0800

30-Sept. 1 Southern Cable TV Association's Eastern Cable Show, Merchandise Mart, Atlanta, Ga. Contact: (804) 782-9501

September

7-9 SBCA/STTI Show, Opryland Hotel, Nashville, Tenn. Contact: (800) 654-9276

October

6-8 Atlantic Cable Show, Convention Center, Atlantic City, N.J. Contact: Jean O'Donnell (609) 848-1000

Letters to the Editor

Bad Times?

We just received the 6/17/87 issue of Satellite Times today and we noticed that your magazine has sunk to an all-time "low" in respect to its reporting. Not only are you biased towards programmers, but for some stupid reason, you seem to be completely anti-satellite, and this includes everybody involved in the satellite chain, including the manufacturers and distributors who are advertising in your magazine. You seem to take a sadistic delight in portraying the bad times for satellites and good times for cable and programmers. One look at your front page shows this to a "T." Do you honestly think that everything is going to go back "the way it was" B.E. (Before Encryption), by your portraying a completely negative picture of this industry when you knock individuals around, people who started this industry and are not only trying to survive, but who are trying to show just who the bad guys really are, and get government protection for our industry from these bad guys and their extremely poor business tactics?

Sure, we tried going through the regular channels, but we didn't have enough money to pay off Congress and the Senate like the programmers and cable companies did. We tried organizing in regards to SPACE, and we "might" have had something really good going for us, but SPACE lost credibility when they hired Brown & Finn and couldn't pay their Gigantic bill. SPACE also lost credibility when they formed SBCA and allowed programmers and cable companies to join and take control of that, too. So what does that leave us? It seems that the only way to fight back is not fair anymore, and you call these fighters bad names because they're not fighting fair. Since you like to shout about the bad guys, why the heck don't you stop being biased and shout about the programmers and cable companies, too? They discriminated against us when they refused to sell programming to us, until they were forced to, and even then, at such prices that were not only inflated but overpriced and higher than regular cable subscribers. Then, when we refused to pay their inflated prices, they tried to destroy us by telling all the networks to broadcast the story to everybody that programmers were scrambling their signals and thereby throwing strong hints to the general public "Not to buy our product, because you wouldn't be able to use it." So what did we do, we did the same thing by trying to show the programmers that the Videocypher (sic) could be broken and why buy it when it will be eventually replaced, anyway. So what do you people do? You call us thieves and pirates. You continue writing article after article showing the satellite industry as a "dead horse." You know, if you keep it up long enough, the horse will die and you won't have anybody left to send your magazine to.

I think it's high time you gave equal time to the satellite industry and stop being so biased. It's a sign of poor journalism when you don't portray both sides of the story, just the side you want to hear. Maybe if you were a little more positive toward us, we might spring back up again. With news like you are portraying now, who would want to?

Judy Showers
Carlisle Radio & TV Co. Inc.
Carlisle, Pa.

PBS Scrambling

I am in receipt of the March 25, 1987 issue of Satellite Times. The article on the Public Broadcasting Service is of

Continued on next page

***Satellite Times** welcomes letters to the editor. Correspondence should be sent to **Satellite Times**, 551 National Press Building, Washington, D.C., 20045. Submission of letters, unless otherwise requested, constitutes agreement to publish in this space. Name and address of the writer is required for publication, but will be withheld for legitimate reasons at the writer's request.*

Letters

Continued from previous page

great concern to me because PBS has absolutely no right to scramble anything. President Johnson mandated that PBS serve all the taxpayers of the country because all taxpayers pay for PBS.

I am totally appalled that our elected representatives are allowing the Public Broadcasting Service to hire lawyers, to carefully distort facts, lie to Congress about what they are planning, threaten program guides to try to prevent program schedules of our network for the home TVRO owners use, then spend the taxpayer's money to purchase an abomination of a scrambling technology that only does one thing (and not well), scramble taxpayer-paid-for-programming.

All PBS programming is yours and mine as taxpayers. We pay for all programs they transmit, whether with our taxes or when we pay for corporate donations with higher prices. Our representatives, or their aides, tell me they are writing to PBS to ask why they are scrambling. This isn't right. Congress mandated that PBS serve the people. This is the peoples' network. It is there to serve the people, all the people, no matter where, no matter what type antenna chosen to receive PBS, not to steal it from them. When my Senators and Congressmen were elected they went to Washington to represent all the citizens of Virginia, all the taxpaying people of the state. By allowing PBS to proceed, the Congress advertises to all of us that they are uncaring. By allowing this violation of the public trust, they are showing us all that they only represent the lobbyists who pay the highest bounty for legislation favoring giant cartels, not the people, whose trust with the vote put them in the Congress.

Already, the powers that be have allowed a positive no scrambling of PBS at all to be watered down allowing PBS to scramble its backhauls and private feeds. Nothing PBS does must be allowed to be "private." It is our program service. Will Congress allow this, with our transponders, at our expense?

The statement from Hewitt of the SBCA must be taken with a grain of salt. One must remember where he is at. If it weren't for the programmers (HBO, Cinemax, etc.) there wouldn't be an SBCA. In my opinion Mr. Hewitt is a puppet controlled by the cartel. He represents the cartel, not the TVRO industry.

PBS should not be allowed to scramble, encrypt, change, modify, alter, or steal anything, period!

T.N. Ouimette, Jr.
Moneta, Va.

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Cable Affiliation

☐ Independent Cable TV System

☐ MSO (Two or more cable TV systems)

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☐ Cable TV Program Networks

☐ Cable TV Component Manufacturer

☐ Program Producers & Distributors

☐ Other (please specify)

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Hearings

Continued from page 3

members or anyone for that matter."

Lafferty's appearance at the hearing was also the subject of some behind-the-scenes maneuvering, sources said, with some saying TBS was hoping to avoid sending Lafferty to Washington. In addition, sources said, there was some discussion of putting Lafferty under oath, especially when questions about TCI arose.

Another potential TVRO packager, the National Rural Telecommunications Cooperative (NRTC), told the lawmakers of its difficulties of getting programmers to sign distribution contracts. NRTC CEO Bob Phillips surprised many in the room when he said the co-op "has yet to have any sincere negotiations about a contract with [the] Disney [Channel] about their service. Several times over the last year, the NRTC has publicly stated it was close to signing a contract with Disney.

Amway Corp., in a letter accompanying Hewitt's testimony, said it, too, was having difficulty signing programmers for its TVRO package and had yet to conclude a single ageement.

Prospects

In the days following the hearing, some here, including those who have not been long-time TVRO industry supporters, argued support is growing for passage of a dish-related bill.

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Justice

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In the key paragraph, Charles Rule, acting assistant attorney general, antitrust division, said: "Initially, our investigation placed particular emphasis on whether the decision to scramble was the result of a collusive agreement among the satellite programmers. To date we have uncovered no significant evidence of such programmer collusion. The investigation has also looked into whether individual programmer decisions to scramble were the result of any illegal concerted pressure exerted on the programmers by their cable affiliates. I can say at this time our investigation has not uncovered the existence of any illegal concerted activity among cable operators on this issue, either."

Rule said it was too soon to determine how the market for satellite programming to TVRO owners will develop. He also said that the agency's investigation of distribution policies covering the SMATV and MMDS markets has "yet found the existence of any antitrust violation in this area."

Justice is continuing its investigation on issues Rule declined to identify and hoped to have its effort completed within the next few months.

Barry Grossman, chief of the communications and finance section, antitrust division, said Rule's statement signals that "on these issues we said we have looked at, that's it" for the investigation. However, Grossman added, there are still some aspects of the SMATV/MMDS question Justice is still exploring.

Grossman defended the agency's inquiry, saying complying lists of those organizations Justice has failed to take formal depositions from, is not an accurate way of judging the effort.

Nevertheless, representatives of the National Cable Television Association, Community Antenna Television Association (CATA), Home Box Office Inc., American Television and Communications Corp., and Tele-Communications Inc. (TCI) all confirmed their organizations had never given depositions as part of the investigation.

Grossman declined to discuss such specific instances, but did say the agency "talked to" several entities, including HBO, without asking for formal depositions. Asked how such an investigation could conclude without formal interrogations of many of cable's key players, he said, "If you talk to a whole lot of people who have a motive to say X' did bad things, and they don't, you don't have to go to X.'"

Not surprisingly, representatives of the cable industry said they were very pleased about Justice's issuance of a clean bill of health for cable.

"It does not come as any surprise," CATA President Steve Effros said of the announcement. "We've been saying all along we haven't done anything wrong."

TCI Vice President Bob Thomson said of the announcement, "It's what we expected, judging by our own conduct."

Many in the TVRO industry, though somewhat expected Justice to rule in favor of cable, still said they were disappointed by the announcement.

Asked to comment on the announcement, Fred Finn, of Brown and Finn, said, "Justice is blind." ❑

One of the key reasons for the new support, it was argued, is the growing sentiment against the cable industry here. "I really think that it's beginning to build a momentum that cable is an ogre that has to be dealt with," said a senior House staffer, whose boss has not been a supporter of TVRO legislation in the past. The staffer argued that the bill "has considerable support" on the subcommittee, with a vast majority of members coming from rural areas.

Moreover, the staffer argued, some members may feel it is necessary to finally move a TVRO bill out of committee just to keep the pressure on the cable industry. In past years, the former chairman of the subcommittee, Tim Wirth (D-Col.), stood firmly in the way of any dish bill. Wirth, a long time ally of cable, is now in the Senate.

However, one of the cable industry's most prominent lobbyists here disagreed with the notion that support is building for the bill. "I don't think it [the TVRO issue] has necessarily heated up," he said. "I don't think there is a widening of support or deep interest."

Along with Cooper, the lobbyist said, the only members who really paid attention to the hearing were Reps. Billy Tauzin (D-La.), a long time dish industry champion, and Al Swift, (D-Wash.).

Larry Irving, senior counsel, mass media, to the subcommittee, said another TVRO hearing, this time dealing with dish access to network, PBS, and superstation signals, would be held in "early fall."

As the hearing closed, many dish industry supporters were bolstered by the remarks of Swift, who appeared to warn the cable industry that it needs to act now on TVRO matters to avoid legislation.

If cable does not act voluntarily, he said, "I guarantee you're going to have legislation. You're going to have the federal government in there doing for the satellite industry what it did for the cable industry 30 years ago as sure as the sun rises in the east." ❑

United

Continued from page 1

Enterprises Inc., which uplinks WTBS, against the potential copyright liability associated with superstation service to dish owners. "We're optimistic on Tempo," said Riley.

United Video's agreement to protect Eastern Microwave Inc., WWOR's uplinker, against copyright liability was the key factor in making that station available to dish owners after more than a year (See *Satellite Times*, March 2, March 16, and June 3, 1987). If United is successful in adding WTBS to its package, it would again be "rescuing" a superstation from the throws of TVRO oblivion: last April, Tempo announced that the legal questions surrounding superstation service to TVRO owners would prevent it from selling the service to the backyard market (See *Satellite Times*, May 6, 1987). At press time, Tempo executives could not be reached for comment. ❑

Echosphere

Continued from page 1

ments to programmers to prevent deauthorizations, though reliable industry sources said it was more than likely the two firms had to pay additional fees to avoid service interruptions.

Among the services said to have been owed money by TBS was United Video Inc., which markets four superstations to dish owners.

Ergen said the two companies would continue their IRD promotion until the end of July, or until the firms sell the IRDs designated for the promotion. While he declined to specify the amount of units involved, sources said the two companies have sold between two-thirds and three-quarters of the 30,000 IRD/package combos allotted for the promotion.

"Discount Satellite Programming, after July 31, is dead," said Ergen. "We do not have a contractual arrangement beyond a certain number [of IRDs]."

Purchasers of the remaining IRDs, Ergen said, will be entitled to receive the free package until July 31 of next year, though the companies are hopeful programmers will actually provide 12 months of service to all customers.

The programmers now in the package, Ergen said, are: United Video's four channels, Netlink USA's six stations, Country Music Television, Cable News Network, Headline News, the Discovery Channel, Black Entertainment Television, CBN Cable, Hit Video USA, and Tempo Television.

Ergen said he was "not sure" if buyers of the IRDs would continue to receive the Netlink stations, in light of that firm's newly instituted policy of only selling to dish owners who cannot receive network stations off-

Continued on next page

SBCA

Continued from page 1

which both sit on the board. Showtime's Steve Schulte, the board members said, was particularly vocal in his opposition to the measure.

The vote on the motion ended with 10 members in favor, four opposed, and one abstention, board sources said. Though the balloting was done by secret lots, board members said they believed CBN cast one of the other negative votes along with HBO and Showtime.

After the vote, Schulte said he was "very disappointed" by the action. "This is not the best action the association could have taken," he said. Most associations, he added "act as a catalyst and don't take political positions against any of their members. I think this action was not for the common good. It's going to add to the confusion."

Asked about the vote, Hewitt said the SBCA "wants to be supportive of the programmers" but felt it was necessary to make its position clear on such a basic question. Associates said Hewitt strongly believes in the mandated access position, and was in fact prepared to risk HBO and Showtime's participation in the association to pass the plank. HBO and Showtime are the biggest financial contributors to the SBCA.

Several SBCA members said they were not surprised that the access question has become a point of contention between the programmers and other members. Many said they have expected the programmer and TVRO members of the association to clash on important issues, but there was no clear consensus on whether they believed such disagreements could one day threaten the SBCA's existence.

On other matters, the SBCA board voted 13 to 2 to endorse the lifting of restrictions on cable operators who can only sell programming to TVRO owners who live in or near franchised areas.

The board also took what it called a "hard line" on the continued VideoCipher piracy issue and agreed to investigate the establishment of a "super-fund" to finance local actions against satellite pirates. ❑

Echosphere

Continued from previous page

air or via cable. He also confirmed that Echosphere is trying to keep the basic parts of the TBS package together as a standalone entity after the promotion ends. "We're making every effort to work with programmers to come up with another package, but we don't have anything to announce yet," he said.

Ergen also said Echosphere hoped "that other programmers will fill the [packaging] void" left by the demise of the TBS package.

As for the TBS package, Ergen said he was "very disappointed" TBS had decided to end the program., "We were very hopeful this package would have been broadened out to involve the entire [TVRO] industry," he said. TBS had been planning to offer more than 20 basic services for $100 a year.

Ergen also said he found the reasons stated by TBS for the shut down of DSP to be "invalid." He noted that the same superstation/copyright problems cited by TBS as one cause of the move "were there in February when the [initial] contract was signed." In addition, Ergen argued, "There can be no valid claim that the [IRD promotion] program was not successful."

"The thing that has changed is the ownership of Turner Broadcasting System," he said, referring to the bail out of TBS by several of cable's largest MSOs.

Satellite Times has reported that Tele- Communications Inc., the MSO which bought the largest share of TBS stock, pressured TBS into curtailing its TVRO packaging business (See *Satellite Times*, June 3, 1987). ❑

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GI

Continued from page 1

tory information on whether the latest software, known as D-5, has been compromised, virtually all members of the hacker underground interviewed for this story admitted the new software was more secure than its previous incarnation.

Those who claim to have beaten the new software claim to have done so by bypassing the epoxied U7 chip by intercepting its data at the unprotected U5 chip where a substitute U7 chip is implanted.

Widespread field reports indicate that VideoCiphers containing older software are selling for far more than decoders with updated software. But many also admit to widespread confusion over how to determine which software a decoder contains. At first, a purple address label on the box indicated older software was present, a blue label the new version.

However, hackers soon found that judging the software of a decoder by the color of its address label was difficult because GI began switching the colors around. Dunham said he could not deny GI was switching address colors to confuse video pirates.

At the same time, several major TVRO manufacturing and distribution companies were becoming confused as to what software they were receiving in their decoders and integrated receiver/decoder (IRD) modules. Several said they were astonished to find GI shipping older software, which was acknowledged to be prone to chip techniques, even after GI publicly proclaimed the new software would go a long way in ending the piracy problem.

Dunham acknowledged GI had continued to ship units with older software after uncovering the problem, but said the decision to do so was arrived at after a good deal of "internal debate" and consultation with cable programmers— including Home Box Office Inc., Showtime/The Movie Channel Inc., and Turner Broadcasting System Inc.

"Basically, we worked out that arrangement with programmers," he said. Moreover, Dunham added, the "only reason" GI even considered shipping units was "the demand" for the decoders and the growing shortage at the time. He also noted GI took extra steps in protecting the older software by encasing the chips in epoxy.

As for the current situation, Dunham said, "To my knowledge, we're not shipping the old [software] chips."

GI does not believe the wide gap between the number of decoders, modules, and IRDs shipped in June—42,788—and the number authorized to receive programing—14,157—represents any new increase in piracy, said Dunham. He said significantly more decoder units were shipped in June than in May (in which 32,610 were shipped), which along with the 30 to 40 decoder pipelines, resulted in a lag in authorization numbers. As of June 30, a total of 336,533 decoding devices had been shipped, with 189,663 authorized for service.

On other VideoCipher matters, Dunham said reports that VideoCiphers were appearing in the field with circuit boards labeled "Oak Industries Taiwan" amounted to "someone playing games." He said there was "absolutely nothing going on" between GI and Oak in terms of any business venture.

Finally, several industry sources said another VideoCipher controversy could be looming in GI's pricing of decoder modules for commercial satellite receivers.

Sources said GI has set the price for the modules between $450 and $375, when the single unit price for a standalone commercial descrambler is $595. The license fee for the commercial module has been set at $5000, with a $2.50 royalty payment for each unit, they said. The licensing fee for the consumer module, which costs $150, is said to be $10,000, with a 25 cent per piece royalty fee.

GI is said to be working on a commercial IRD, as are several other firms. At press time, GI executives could not be reached for comment on the commercial module issue. ❑

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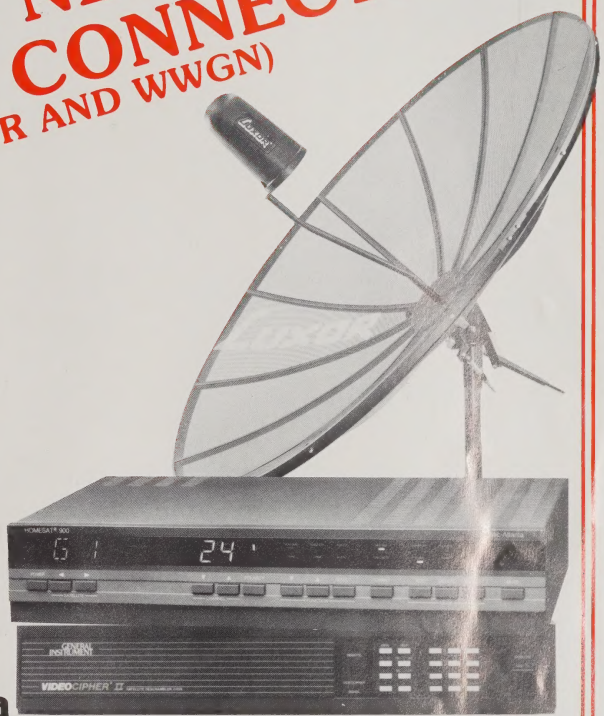

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